

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

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*Flex your power!
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September 24, 2009

Ms. Sonali Bose
Chief Financial Officer
City and County of San Francisco
San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

Dear Ms. Bose:

Re: City and County of San Francisco, San Francisco Municipal Transportation
Agency, Department of Parking and Traffic, Division of Traffic Engineering
File No.: P1190-0644

This letter is to inform you that the Indirect Cost Allocation Plans (ICAP) submitted by the San Francisco Municipal Transportation Agency (MTA), Department of Parking & Traffic (DPT), Division of Traffic Engineering (DTE) for Fiscal Year 2004/2005, received August 18, 2009 is rejected as it is not in compliance with 2 Code of Federal Regulations (CFR), Part 225.

The financial statements are not fully reconciled to the current ICAP. The Department Administration costs are not referenced or reconciled to the audited financial statements. In addition, no explanation or documentation relating to variances between the City and County of San Francisco Consolidate Annual Financial Report (CAFR) and accounting system (FAMIS) was provided.

Additionally, items two and five of the April 2, 2009 letter (Attachment I) have not been satisfactorily addressed. Item two required a detailed explanation for decisions made to categorize costs as direct, indirect or unallowable in the ICAP. Resolution for item five was not provided.

If you have any questions please contact Teresa Greisen, Audit Manager, at 916-323-7910.

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Sincerely,

MARYANN CAMPBELL-SMITH
Chief, external Audits
Audits & Investigations

Attachment

c: Brenda Bryant, Director of Financial Services, California Division,
Federal Highway Administration
Elena Chiong, Director of Accounting, Municipal Transportation Agency
Denix Anbiah, Chief, Division of Local Assistance
Silvia Fund, District Local Area Engineer, District 4
Teresa Greisen, Audit Manager, Audits and Investigations

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*"Flex your power!
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April 2, 2009

Ms. Sonali Bose
Chief Financial Officer
City and County of San Francisco
San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

Dear Ms. Bose:

We received the San Francisco Municipal Transportation Agency (MTA), Department of Parking & Traffic (DPT), Division of Traffic Engineering's (DTE's) resubmittal of its Indirect Cost Allocation Plans (ICAPs) for fiscal years 2004/2005, 2005/2006, 2006/2007, and 2007/2008. Based on our review, we are rejecting the ICAPs for noncompliance with the submittal requirements outlined in Title 2 Code of Federal Regulations (CFR), Part 225. Specifically, the rejection is based upon the following:

1. Summary costs included in fiscal years 2004/2005, 2005/2006, 2006/2007, and 2007/2008 ICAPs are not clearly cross-referenced to costs on supporting schedules. As noted in the submission requirements, costs must be referenced to specific pages and line-items to allow for the tracing of costs from one schedule to another. Figures comprised of various component costs must be clearly identified and each component cost cross-referenced to supporting schedule(s).
2. The revised indirect cost rates for all fiscal years showed a significant decrease in the total indirect cost pool and direct salaries and fringe benefit base from DTE's original ICAP submission. An explanation for these changes along with supporting schedules of costs excluded must be provided. Additionally, the explanation should include a reconciliation of the changes made from DTE's original ICAP submissions to the resubmitted ICAPs.
3. While included in DTE's original ICAP submissions, county-wide costs approved by the State Controller's Office appear to be excluded from the revised ICAPs. An explanation for the change in methodology must be provided.
4. DTE's original ICAP submissions included MTA muni-wide costs for fiscal years 2004/2005, 2005/2006, 2006/2007, and 2007/2008. However, in DTE's resubmittal, MTA muni-wide costs were excluded from all four ICAP years. DTE should provide explanations for the exclusion of these costs, how these costs and other organizational

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changes to roles and responsibilities are consistent with actual changes that took place, and how they reconcile to DTE's approved budgets.

- Please provide an organization chart for each fiscal year (FY 2003/2004, 2004/2005, 2005/2006, 2006/2007, 2007/2008) that reflects the organizational structure of the departments and divisions that now fall under the administrative responsibility of the MTA. Also, please ensure the organization chart for each fiscal year identifies the department/division providing administrative support to other departments/divisions.
5. Please provide documentation from the Federal Transportation Authority (FTA) showing the final resolution and approval of MTA's muni-wide rate for fiscal year 2003/2004. Additionally;
- Per our teleconference of March 26, 2009, you indicated for fiscal years 2004/2005 and 2005/2006 Municipal Railway (Muni) was providing administrative support to DPT. This reorganization of administrative responsibilities would result in a change in the accounting system requiring Muni to seek FTA approval of its ICAP per FTA Circular C 5010.1C, Chapter III, 7, which states, "the cost allocation plan/indirect cost rate proposal should be submitted to the "cognizant" or "lead" Federal agency when the grantee has made a change in its accounting system, thereby affecting the previously approved cost allocation plan/indirect cost rate and its basis of application." Please provide an FTA approved ICAP for Muni for fiscal year 2004/2005.
 - For fiscal years 2006/2007 and 2007/2008, per our teleconference, you indicated staff were transferred from Muni to MTA for the purpose of providing administrative support to several departments and divisions including DPT. This reorganization of administrative responsibilities would again result in a change in the accounting system requiring MTA to seek FTA approval of its ICAP. Please provide an FTA approved ICAP for MTA for fiscal year 2006/2007.
6. The ICAP submission did not include the required submittal checklist. A copy of the required submittal checklist has been attached for your use.

In order to resume the audit, DTE is required to provide responses to the items above and to resubmit the ICAPs in compliance with the submission requirements outlined in Title 2 CFR, Part 225, Appendix E, Section D. Per our March 26, 2009 teleconference, it was agreed that DTE will provide a resubmission of fiscal year 2004/2005 ICAP by April 10, 2009. The Department of Transportation's (Department) Audits and Investigation (A&I) staff will review the resubmission for compliance to 2 CFR, Part 225, and notify DTE if accepted. DTE will then resubmit the remaining fiscal years within two weeks from date of acceptance. Once all fiscal years have been received and accepted, A&I will resume the audits of the ICAPs. Should DTE chose not to resubmit the ICAPs, all indirect costs billed for fiscal years 2004/2005, 2005/2006, 2006/2007, and 2007/2008 will be disallowed and required to be repaid immediately to the Department.

DTE inappropriately billed indirect costs to the Department without approved indirect rates for fiscal years 2004/2005, 2005/2006, 2006/2007 and 2007/2008. Due to DTE billings of

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unapproved indirect costs, the Department bears the financial risk of having reimbursed unallowable costs. As a result, we are requiring DTE to review all billings to the Department to determine the total unapproved DTE indirect costs billed. DTE must schedule total unapproved DTE indirect costs billed by contract, invoice, and fiscal year. The schedule should also include any unapproved DTE indirect costs billed through other City and County of San Francisco departments such as the Department of Public Works. This schedule must be submitted to Audits & Investigations by April 24, 2009.

If you have any questions please contact Alice Lee, Auditor at 916-323-7953 or Teresa Greisen, Audit Manager at 916-323-7910.

Sincerely,

MARYANN CAMPBELL-SMITH
Chief, External Audits
Audits & Investigations

Attachments

c: Brenda Bryant, Director of Financial Services
California Division, Federal Highway Administration
Elena Chiong, Director of Accounting, Municipal Transportation Agency
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